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As a one-time dairy farmer, as a Member of Congress, and as Secretary of Agriculture, I have enjoyed a long and pleasant relationship with the dairy farmers and their representatives.

I have had a close working, as well as personal relationship with many of you here tonight.

I share your belief in, and commitment to, cooperatives. Without cooperatives, small and medium-sized farmers would have far fewer marketing opportunities than they now have. Strong, farmer-owned, farmer-controlled cooperatives are basic to America's agricultural economy and essential to our nation's food supply system.

This Federation serves a vital role as an information link between government, dairy cooperatives and their farmer-members. Farmers depend on this organization for information and advice on programs, legislation, and policies. I have seen how effectively you present your case to the Congress.

You have succeeded, in large measure, because our dairy policies and programs serve both producers and consumers. And we in government realize that our policies must be fair and equitable both to dairymen and to the buyer of dairy products, or our dairy programs will fail.

Today, dairy farmers are in reasonably good shape. Milk prices are good--\$1.09 per hundredweight above the current support level, and \$1.47 per hundredweight higher than a year ago.

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Remarks prepared for delivery by Secretary of Agriculture Bob Bergland before the National Milk Producers Federation board of directors, Washington, D.C. *b7d*
July 30, 1979

Feed costs are relatively stable, and the milk-feed ratio is \$1.51, 2 cents less than a month ago, and 8 cents more than a year ago. I want to take some credit for that. Our farmer-owned grain reserve has done what we intended it to do. Farmers did not have to sell their grain last year when it was cheap--and now it is worth more to all farmers, and both grain producers and grain users are better off.

Not only have your milk returns been good, but cow prices have been at record highs this year. Currently, they are \$6.25 per hundredweight higher than a year ago. Until two weeks ago they were \$14 higher.

In fact, one of the problems facing dairy farmers today is whether to produce or sell. Many have been selling cows because of good prices. It is a different situation now than when prices for milk and cows were depressed.

But just because the dairy industry is enjoying relative prosperity, does not mean that it will always be this way.

You know, and I agree, that a strong price dairy support program is necessary. It is needed to ensure that producers have the incentive to produce adequate milk supplies, and to protect consumers from shortages and excessively high prices.

I believe our dairy policy objectives are generally understood, but I want to caution you against complacency, because they are far from being universally accepted.

Yet when times are good, we tend not to be very realistic. We forget the past. We forget the difficult times. We forget how difficult it is to get new program authority when we really need it.

For example, cooperatives in general, and the Capper-Volstead Act in particular, have been under attack in recent years.

President Carter and I both believe in cooperatives. We believe in these principles so strongly that we are confident that they can withstand close examination.

And after rigorous examination, we are convinced even more strongly that this historic cooperative law continues to serve its purpose and does not need basic alterations.

President Carter and I also agree that the enforcement of the undue price enhancement provisions of the Capper-Volstead Act should remain with the Secretary of Agriculture. These provisions impose an important responsibility on me, so I have established an active price monitoring group within USDA to carry out these responsibilities.

International trade policy provides yet another example. All of you remember 1973 when quotas were lifted and imported cheese flooded our markets. And all of you remember the advice to go to Geneva and sell out the American dairy farmer to gain concessions for other U.S. exports.

Well, the Carter administration rejected that strategy. Instead, we got a trade agreement, which the President signed last Thursday, containing benefits for dairy farmers as well as concessions.

There is yet another example which brings our budget realities into focus. This year we proposed to limit the federal subsidy for the special milk program. We did so for a very good reason: a cost savings to taxpayers of over \$100 million.

There were those who said we were abandoning the dairy industry. That's not true. The facts are that, after taking out our proposed reductions in the special milk program, this administration has proposed an increase of \$161 million in assisted milk and dairy product purchases for the various food assistance programs in the coming fiscal year.

I believe our most serious challenge lies in the danger of insensitivity to the problems the American consumer faces today.

I don't need to tell you about inflation, or about energy problems. I want to remind you, however, that these problems affect consumers just as they do dairy farmers. Consumers perceive food prices as a problem, and that perception is making it far more difficult to get support for legislative changes.

I believe in laying the facts on the table. For an organization as influential as the Federation, this is more than a casual responsibility.

I know that conditions in agriculture change quickly. You won't find me trying to predict what will happen next year to dairy supplies or prices. I can't tell you whether the government will end up owning or selling substantially larger quantities of dairy products. I can tell you, however, that if the Commodity Credit Corporation ends up buying substantial amounts of butter, cheese, and powdered milk, there will be problems.

I think the chance of that happening are small, as I have said many times. Still, we know the potential for milk production is building as dairymen increasingly cull the herd. Next spring, or the spring after that, we will very likely see a strong surge in milk production. If so, prices could quickly turn from strong to weak. I don't need to dwell on the impact of that situation on the next farm bill if we go into that debate with large and expensive surpluses on hand.

We could face pressure from another quarter, as well. When the economy turns down, it weakens the demand for dairy products. Demand now looks strong, and it has been buoyed by a strong demand and better prices for meat--especially beef. If that demand weakens, and if beef prices come down, we could see prices for dairy products weaken.

I'm not predicting any of these things. I don't know what is going to happen to feed prices and dairy production costs. The 80 percent parity level may be adequate and appropriate for this fall and beyond.

On the other hand, it may not. Last May, I urged flexibility on these matters and presented a legislative proposal that would make the program more flexible.

I want to repeat that counsel. I want to urge you to be realistic and very conscious of the need for consumer support for strong dairy programs this year, and in 1981, and thereafter. I believe that in order to get that support we certainly will need, it will be necessary for the dairy industry to be conscious of consumer problems, and to support dairy policies and program management policies that are responsive to consumer concerns.

Consumer interest has become an irritant to some. I do not advocate for one minute weakening our strong dairy support programs. I, however, advocate moderation and flexibility.

For example, I do not think that we can design our program so that we lock away permanently any dairy products that are purchased under the price support programs.

That program works best when we support prices during the time when they are seasonally weak, and sell those products back at times when prices are seasonally strong.

That policy gives us the dairy products we need for our programs at least cost.

It strengthens your market when you need it.

But purchases above those amounts should be sold back when markets are strong enough to take them. That is what the current 105 percent sell-back policy is designed to do.

I know that a 110 percent policy would support prices at slightly higher levels. Frankly, the 105 percent policy is a concession to the fact that currently prices are high and consumers are feeling that price pressure.

I think it is a good policy. If we manage our sales during the end of the year so as to avoid windfall profits, as we will certainly attempt to do, that policy should work well.

I urge you to support it as a moderate, reasonable effort to make a strong dairy price support program help consumers when they need help.

I want a strong dairy industry, but I know from my years in Congress that this is possible today only with strong consumer support.

I've been through knock-down, drag-out floor fights on farm bills where you win by only a vote or two. I don't want to see a fight like that on dairy policy. But it could happen, if you and I fail to act fairly and responsibly.

The long-term best interests of dairy producers are at stake in what I see as a test of leadership for you in the dairy sector and for us in government.

We have two kinds of leaders in this country today.

One kind appeals to the short-term, emotional needs of some of the people.

The other appeals to the best, reasoned interests of all of the people.

The first kind of leader exploits fear and frustration.

The other educates and enlightens.

The first kind plays on the attitude of "me first and to heck with the other guy."

The other convinces us that small sacrifices today can produce greater rewards for us all tomorrow.

The first kind of leader seeks to hold every minor advantage ever gained, every small beachhead ever taken, but fails to develop a broader strategy that develops a total objective in a changing world.

The other sees the fuller purpose in what we are about in America today, and helps bring us into that wider partnership so critically needed in these difficult times.

You can tell, I believe, what kind of leadership I believe we need for the 1980's and beyond.

All of us will be tested as leaders as we move through this challenging, and I hope, ennobling time in our history.

It is a challenge that I welcome, and it is a challenge that you, too, should be glad to accept.

Thank you.

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